

# NEWS RELEASE

26 November 2010

## WORLDWIDE HEALTHCARE TRUST PLC

(Formerly Finsbury Worldwide Pharmaceutical Trust PLC)

### Unaudited Preliminary Results for the six months ended 30 September 2010

Worldwide Healthcare Trust PLC today announces its interim results for the six months ended 30 September 2010.

#### Performance

|   | Six months to<br>30 September<br>2010 | One year to<br>31 March<br>2010 |
|---|---------------------------------------|---------------------------------|
| Share price (total return)#               | -0.3%                                 | +28.7%                          |
| Net asset value per share (total return)# | +0.9%                                 | +25.9%                          |
| Benchmark index (total return)*           | -3.6%                                 | +24.6%                          |

  

|   | 30 September<br>2010 | 31 March<br>2010 | Six months<br>% Change |
|---|----------------------|------------------|------------------------|
| Shareholders' funds   | <b>£331.0m</b>       | £346.2m          | -4.4                   |
| Net asset value per share – diluted<br>(dilution for subscription shares) | <b>742.9p</b>        | 752.7p           | -1.3                   |
| Share price   | <b>690.0p</b>        | 701.5p           | -1.6                   |
| Discount of share price to diluted net asset<br>value per share           | <b>7.1%</b>          | 6.8%             | -                      |
| Benchmark Index *   | <b>9,734.2</b>       | 10,094.2         | -3.6                   |
| Gearing **  | <b>11.6%</b>         | 10.4%            | -                      |
| Total expense ratio (excluding performance<br>fees)                       | <b>1.0%</b>          | 1.0%             | -                      |
| Total expense ratio (including performance<br>fees paid in the period)    | <b>1.1%</b>          | 1.0              | -                      |

# Source – Morningstar. Net asset value diluted for subscription shares and treasury shares.

\* Datastream World Pharmaceutical and Biotechnology Index, total return, sterling adjusted. With effect from 1 October 2010 the Company's benchmark has changed to MSCI World Health Care Index, (total return, sterling adjusted).

\*\* Calculated using the Association of Investment Companies' definition (prior charges as a percentage of net assets).

|           |   |  |
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## **Chairman's Statement**

### **Change of the Company's Name, Investment Policy and Benchmark**

I am pleased to report that at the Company's Annual General Meeting, held on 15 July 2010, the necessary resolutions were passed to change the Company's name, to amend its investment policy and also to change the Company's benchmark from the Datastream World Pharmaceutical and Biotechnology Index (measured in sterling terms on a total return basis) to the MSCI World Health Care Index (measured in sterling terms on a total return basis). The Board has agreed with your Investment Manager that there should be a period of transition in order to allow them to realign the portfolio to reflect the new investment policy and benchmark. Accordingly, it has been agreed that the new benchmark will be used for performance comparison purposes with effect from 1 October 2010.

### **Performance**

Following strong performance from markets and the Company during its last financial year, the returns from global markets over the first half of the current financial year were mixed. This was also reflected in the performance of the healthcare sector with the Datastream World Pharmaceutical and Biotechnology Index (measured in sterling terms on a total return basis) falling by 3.6% during the period. By way of comparison, the MSCI World Health Care Index (measured in sterling terms on a total return basis) fell by 5.6% during the same period. This compares to the Company's net asset value total return of +0.9% and a share price total return of -0.3%. The discount of the Company's share price to the Company's diluted net asset value per share widened slightly during the period to close at 7.1% compared to 6.8% six months ago.

Our Investment Manager has begun repositioning the portfolio to reflect the Company's amended investment policy and benchmark.

### **Capital**

The Board regularly reviews its discount policy. The formal discount management policy in place seeks to maintain the discount to the net asset value per share at which the Company's shares are quoted on the London Stock Exchange at no greater than 6% over the long-term, subject to adverse market conditions. There can be no guarantee that the Board's discount policy will always be successful or capable of being implemented. During the six months under review the Company repurchased 1,637,733 shares for treasury at a total cost of £10.9m (including expenses).

On 27 July 2010, a total of 7,877,149 shares held in treasury were cancelled. The Board has confirmed that any shares held in treasury will be cancelled on or as soon as practicable following the Annual General Meeting each year.

During the period and to the date of this report a total of 686,893 subscription shares were exercised at an exercise price of 614p per share raising £4.2m of additional funds for the Company and a further 31,016 subscription shares were exercised at an exercise price of 638p per share raising £0.2m. The next subscription date will be 31 January 2011 at a subscription price of 638p per share.

### **Revenue and Dividends**

The revenue return for the period was £2,196,000 (six months ended 30 September 2009: return of 1,175,000) and no interim dividend is declared (six months ended 30 September 2009: nil).

## **Outlook**

The prospect of healthcare reform in the U.S. had served as an overhang on the healthcare sector generally and had led to underperformance of healthcare stocks, including pharmaceuticals in late 2009 and early 2010. Whilst this situation was clarified with the enacting of the healthcare reform bill in March 2010, the significant gains made by the Republicans in the recent U.S. mid-term elections have again created uncertainty as to the nature of the reform.

On a global basis, healthcare spending is set to continue to rise into 2011, and ageing populations, particularly in Western countries, will place increasing pressure on available government healthcare spending. Patent expiry continues to be an issue for the sector and the Company's portfolio has already been positioned to account for this and also for further consolidation in the sector.

Our focus remains on the selection of stocks with strong prospects for capital enhancement and we continue to believe that the long term investor in our sector will be well rewarded.

## **Martin Smith**

*Chairman*

## **Review of Investments**

### Performance

For the period of 1 April to 30 September 2010, the broad markets demonstrated a roller coaster of performance, with a steep sell off in May, volatility in the summer months, before a significant, but only partial recovery in September. Despite such volatility in the global equity markets, the net result was only modestly negative, as the World Datastream Market Index was down 1.6% in sterling terms on a total return basis during this period. Moreover, healthcare stocks underperformed during the period; the Datastream Pharmaceutical & Biotechnology Index, measured in sterling terms on a total return basis, was down 3.6%.

The Company outperformed both the broader market and the healthcare specific index, with a share price total return of -0.3% and a net asset value total return of +0.9%. "Alpha", or excess risk-adjusted returns, from this period stemmed from our strategy of being highly selective in large capitalisation pharmaceutical stocks, maintaining an overweight position in biotechnology stocks and adding exposure to several exciting niche growth opportunities in areas such as specialty and generic pharmaceutical companies.

An example of such a niche opportunity is our investment in Japanese generic drug companies. Our long-term expectation of secular growth in this emerging generic drug market has been prescient as multiple government initiatives continue to drive accelerating growth for generic drugs in Japan. Sawai Pharmaceuticals based in Osaka, is one of three key investments in this theme, and was the largest contributor to performance during this six month period, largely due to better than expected sales and earnings which drove the share price. The company's share price suffered in September, however, on rumours of a takeover-bid for a branded manufacturer in Japan. We are cautious on this strategic initiative but believe the likelihood of it coming to fruition is low. Clarity on this issue should re-invigorate the shares. Also in the top ten contributors for the period were Towa Pharmaceutical and Nichi-iko Pharmaceutical, both Japanese generic drug manufactures benefitting from the dramatic growth of generic drugs in that market.

In the large capitalisation pharmaceutical space, Novartis continues its unparalleled success in research and development (R&D) productivity with the recent approval of Gilenya, a novel oral therapy for the treatment of multiple sclerosis. We believe that this therapy will create an exciting new treatment option for this disease and represents one of the most important product approvals for the pharmaceutical industry in some while. We have also initiated a position in the originator of this compound, Mitsubishi Tanabe Pharma. Overall, we believe the market underestimates the opportunity offered by Gilenya to both Novartis and Mitsubishi Tanabe. The market enthusiasm generated by this drug propelled Novartis' shares by more than 10% during the period and thus was a top five contributor to performance. For now, the stock remains a key holding.

Taking advantage of mergers and acquisition (M&A) activity in the biotechnology sector is a long held strategy of the Company. This period was exceptional for M&A, highlighted by the public offering by French drug maker, Sanofi-Aventis for Genzyme Corporation. The offer of \$69 per share represented a 38% premium and was an all cash offer that totalled \$18.5 billion. While a deal has yet to be agreed, at the time of writing this report, we believe there is a high probability that a transaction will occur at a higher price to be negotiated. Genzyme was the second highest contributor to performance during the period.

It is also worth noting the contribution of our structured finance investments. Importantly, all of these investments have performed well to date, with no "losers" yet seen in the portfolio.

The top two negative contributors during the period experienced losses that were (in whole or in part) triggered by the actions of the U.S. Food and Drug Administration (FDA). Roche, the Swiss pharmaceutical company, suffered a setback when an FDA panel recommended a partial revocation of the approval of the blockbuster cancer drug, Avastin, specifically for the treatment of metastatic breast cancer (mBC). While the earnings impact will be small (as Avastin would remain on the market for the treatment of other cancers), the negative recommendation caught investors by surprise, causing the stock to lose nearly \$10 billion in market capitalisation, a steep over reaction, in our view. The FDA may be taking an overly conservative view on the data as the drug clearly benefits at least some patients with mBC. Adding to the negative news for Roche was the unusual and unexpected FDA "refusal to file" letter the company received for its novel next generation cancer compound known as TDM-1. Filing will now be predicated on additional studies that will not be complete until 2012. Finally, Roche also announced a pipeline setback for their emerging diabetes franchise. The culmination of these events resulted in the stock trading down more than 15% and thus claiming the designation of the portfolio's top negative contributor in the period. Roche, however, remains a core holding in the portfolio and we added to the position after the declines.

Another disappointing holding during the period was the biotechnology company InterMune. The FDA failed to approve the company's novel treatment, Pirfenidone, for the treatment of a devastating and lethal disease known as idiopathic pulmonary fibrosis. InterMune was the second largest negative contributor to performance in the period. With a high likelihood for a requirement of additional expensive and time-consuming clinical trials to be conducted in order to garner U.S. approval, we exited the position.

## Sector Developments

Clearly the largest development over the past six months has been the rippling impact of the passage of the Patient Protection and Affordable Care Act in the United States, which occurred in March 2010. We continue to believe this legislation to be a net positive for the healthcare sector and in particular the pharmaceutical industry. While near term earnings pressure certainly occurred at the margin for most pharmaceutical companies, long term the addition of 30 million new lives with healthcare insurance and drug coverage will be a boon to the industry.

Importantly, this new law contains no provisions that will impose price controls or install the federal government as a major buyer of drugs, thus avoiding a worst case scenario for the healthcare industry. In fact, the term “reform” as applied to this legislation is misleading. Rather, this new law essentially expands the current federally-sponsored health insurance programmes, simply allowing more individuals to qualify. While pharmaceutical companies are required to help pay for this expansion through increased drug rebates, it is expected to cost the industry only \$8 billion per year over 10 years (or \$80 billion of the nearly \$1 trillion total price tag). Note that U.S. pharmaceutical market reached over \$300 billion in 2009. Thus, we believe that over time, the additional lives under coverage and the commensurate increase in drug consumption will more than offset any price or margin pressure.

We think the defensive appeal of the sector has increased significantly with the removal of this overhang (i.e. uncertainty surrounding the timing and impact of healthcare reform) combined with growing concerns about slowing consumer spending in many developed markets. Healthcare goods and services are generally “non-discretionary” and should hold up relatively well in an era of frugal consumer spending

Following on the political theme, the November 2010 mid-term elections in the U.S. saw the Democrats suffer heavy losses with the Republicans taking control of the House of Representatives and make significant gains in the Senate. This result brings uncertainty to the proposed healthcare reform as the Republicans have indicated that they would wish to ‘repeal and replace’ the healthcare reform law passed earlier in the year. However, the polls suggest that, overall, the public wants the healthcare reform to be amended rather than scrapped altogether. The outcome is likely to remain unclear for some time.

Finally, heading towards the end of 2010 and early 2011, we view the number of clinical trial related catalysts to be increasing. This growth is an encouraging sign of accelerating R&D and new product development for the sector. We will monitor carefully new clinical data flow in a plethora of therapeutic categories, in particular cardiovascular, diabetes, rheumatology, and oncology.

## Strategy Review

An important change to highlight for our investors is that the Company’s investment mandate has been expanded recently to include all areas of healthcare, including medical devices and healthcare services. This expansion is an exciting opportunity for OrbiMed to utilise a broader range of ideas and opportunities in pursuit of attractive returns for our investors. In addition to seeking higher returns, we also believe a more diversified portfolio will be less volatile. We had already begun repositioning the portfolio by the 30 September reporting date, with the additions of initial positions in Health Maintenance Organisations (so called “HMOs”), medical devices, and healthcare services companies.

Valuation remains a compelling theme in the biotechnology and pharmaceutical sectors. In both absolute and relative terms, valuations have declined to historical lows after a nearly 10 year period of underperformance. We believe this performance and valuation differential provides a significant opportunity to earn near-term returns across a variety of companies.

## Worldwide Healthcare Trust PLC

Interim Results for the six months ended 30 September 2010

Despite the “bargains’ in large capitalisation pharmaceutical companies, we continue to be selective in this sector although different strategies may be employed. Contrarian value plays with high yields are an option. Avoiding companies with extreme exposure to the looming 2012 generic patent cliff is another. Ultimately, however, we favour companies with new product flow and strong, late stage pipelines. Historically, companies entering such a new product cycle often outperform the group. This is, after all, an industry in which growth is driven by the launch of new drugs.

Large capitalisation biotechnology companies remain a key focus. Growth in this sector is outpacing that of their pharmaceutical peers. Additionally, while new product risk may be higher in biotechnology companies, there is lower political and reimbursement risk. Finally, there are few patent expiration issues.

Certainly we expect M&A in the sector to be robust and likely to accelerate as we approach 2012. Why? Pharmaceutical companies continue to prepare for the looming patent cliff and their urgency to solve the problem will increase as these patent expirations become more imminent. New products are the solution and acquiring them has proven easier than discovering them for large companies. Depressed valuations in small and mid-capitalisation biotechnology stocks create an opportunity for pharmaceutical companies to make such acquisitions, so we expect M&A deal volumes to increase and remain healthy. As such, we focus our investments in both high quality biotechnology and specialty pharmaceutical companies that may also be attractive to large potential acquirers.

Samuel D Isaly

### OrbiMed Capital LLC

Investment Manager

#### Contribution by Investment – Excluding Options

Top and bottom five contributors to net asset value performance over the six months to 30 September 2010

|                                 | <u>Contribution</u><br><u>for the six months</u><br><u>£'000</u> | <u>Contribution</u><br><u>per Share (p) *</u> |
|---------------------------------|--|---|
| <b>Top Five contributors</b>    |  |   |
| Sawai Pharmaceutical            | 2,752  | 6.3   |
| Genzyme                         | 2,539  | 5.8   |
| NPS Pharmaceuticals             | 1,998  | 4.6   |
| Endo Pharmaceuticals            | 1,764  | 4.1   |
| Novartis                        | 1,613  | 3.7   |
|                                 | <b>10,666</b>  | <b>24.5</b>                                   |
| <b>Bottom Five contributors</b> |  |   |
| Roche                           | (4,792)  | (11.0)  |
| InterMune                       | (2,646)  | (6.1)   |
| Johnson & Johnson               | (2,283)  | (5.2)   |
| Allos Therapeutics              | (1,844)  | (4.2)   |
| Gilead Sciences                 | (1,817)  | (4.2)   |
|                                 | <b>(13,382)</b>  | <b>(30.7)</b>                                 |

\*based on the weighted average number of the Company's shares in issue during the six months ended 30 September 2010 (43,497,098)

Source: Frostrow Capital LLP

## Income Statement

For the six months ended 30 September 2010

|  | (Unaudited)<br>Six months ended<br>30 September 2010 |                            |                          | (Unaudited)<br>Six months ended<br>30 September 2009 |                            |                          | (Audited)<br>Year ended<br>31 March 2010 |                            |                          |
|--|--|----------------------------|--------------------------|--|----------------------------|--------------------------|--|----------------------------|--------------------------|
|  | Revenue<br>Return<br>£'000                           | Capital<br>Return<br>£'000 | Total<br>Return<br>£'000 | Revenue<br>Return<br>£'000                           | Capital<br>Return<br>£'000 | Total<br>Return<br>£'000 | Revenue<br>Return<br>£'000               | Capital<br>Return<br>£'000 | Total<br>Return<br>£'000 |
| (Losses)/gains on investments held at fair value through profit or loss    | -  | (3,790)                    | (3,790)                  | -  | 15,192                     | 15,192                   | -  | 76,180                     | 76,180                   |
| Exchange (losses)/gains on currency balances                               | -  | (40)                       | (40)                     | -  | 5,516                      | 5,516                    | -  | 3,946                      | 3,946                    |
| Income from investments held at fair value through profit or loss (note 2) | 3,059  | -                          | 3,059                    | 1,886  | -                          | 1,886                    | 5,825                                    | -                          | 5,825                    |
| Investment management, management and performance fees (note 3)            | (72)   | (3,264)                    | (3,336)                  | (60)   | (924)                      | (984)                    | (133)                                    | (5,025)                    | (5,158)                  |
| Other expenses   | (304)  | -                          | (304)                    | (261)  | (219)                      | (480)                    | (506)                                    | -                          | (506)                    |
| <b>Net return/(loss) before finance charges and taxation</b>               | <b>2,683</b>   | <b>(7,094)</b>             | <b>(4,411)</b>           | <b>1,565</b>   | <b>19,565</b>              | <b>21,130</b>            | <b>5,186</b>                             | <b>75,101</b>              | <b>80,287</b>            |
| Finance charges  | (4)  | (78)                       | (82)                     | (6)  | (121)                      | (127)                    | (11)                                     | (212)                      | (223)                    |
| <b>Net return/(loss) before taxation</b>                                   | <b>2,679</b>   | <b>(7,172)</b>             | <b>(4,493)</b>           | <b>1,559</b>   | <b>19,444</b>              | <b>21,003</b>            | <b>5,175</b>                             | <b>74,889</b>              | <b>80,064</b>            |
| Taxation on ordinary activities  | (483)  | 166                        | (317)                    | (384)  | 168                        | (216)                    | (965)                                    | 303                        | (662)                    |
| <b>Net return/(loss) after taxation</b>                                    | <b>2,196</b>   | <b>(7,006)</b>             | <b>(4,810)</b>           | <b>1,175</b>   | <b>19,612</b>              | <b>20,787</b>            | <b>4,210</b>                             | <b>75,192</b>              | <b>79,402</b>            |
| Return/(loss) per share – basic (note 4)                                   | <b>5.0p</b>  | <b>(16.1)p</b>             | <b>(11.1)p</b>           | 2.8p   | 46.0p                      | 48.8p                    | 9.5p                                     | 170.5p                     | 180.0p                   |
| Return/(loss) per share – diluted (note 4)                                 | <b>5.0p</b>  | <b>(16.1)p</b>             | <b>(11.1)p</b>           | 2.8p   | 46.0p                      | 48.8p                    | 9.5p                                     | 170.5p                     | 180.0p                   |

The “Total” column of this statement is the Income Statement of the Company. The “Revenue” and “Capital” columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

All revenue and capital items in the above statement derive from continuing operations.

The Company has no recognised gains and losses other than those shown above and therefore no separate statement of total recognised gains and losses have been presented.

No operations were acquired or discontinued during the period.

## Reconciliation of Movements in Shareholders' Funds

| (Unaudited)<br><b>Six months ended<br/>30 September 2010</b> | Ordinary<br>share<br>capital<br>£'000 | Subscription<br>share<br>capital<br>£'000 | Share<br>premium<br>account<br>£'000 | Capital<br>reserve<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Revenue<br>reserve<br>£'000 | Total<br>£'000 |
|--|---------------------------------------|---|--------------------------------------|-----------------------------|---|-----------------------------|----------------|
| At 31 March 2010   | 12,644                                | 90  | 176,648                              | 145,160                     | 5,009                                     | 6,630                       | 346,181        |
| Net (loss)/return from ordinary activities after taxation    | -                                     | -   | -                                    | (7,006)                     | -   | 2,196                       | (4,810)        |
| Dividend paid in respect of year ended 31 March 2010         | -                                     | -   | -                                    | -                           | -   | (3,653)                     | (3,653)        |
| Subscription shares issued                                   | 172                                   | (7)                                       | 4,045                                | 7                           | -   | -                           | 4,217          |
| Purchase of Company's own shares including expenses          | (1,969)                               | -   | -                                    | (10,906)                    | 1,969                                     | -                           | (10,906)       |
| <b>At 30 September 2010</b>                                  | <b>10,847</b>                         | <b>83</b>                                 | <b>180,693</b>                       | <b>127,255</b>              | <b>6,978</b>                              | <b>5,173</b>                | <b>331,029</b> |

| (Unaudited)<br><b>Six months ended<br/>30 September 2009</b> | Ordinary<br>share<br>capital<br>£'000 | Share<br>premium<br>account<br>£'000 | Warrant<br>reserve<br>£'000 | Capital<br>reserve<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Revenue<br>reserve<br>£'000 | Total<br>£'000 |
|--|---------------------------------------|--------------------------------------|-----------------------------|-----------------------------|---|-----------------------------|----------------|
| At 31 March 2009   | 11,105                                | 117,706                              | 7,417                       | 118,709                     | 3,678                                     | 4,402                       | 263,017        |
| Net return from ordinary activities after taxation           | -                                     | -                                    | -                           | 19,612                      | -   | 1,175                       | 20,787         |
| Dividends paid in respect of year ended 31 March 2009        | -                                     | -                                    | -                           | -                           | -   | (1,982)                     | (1,982)        |
| Proceeds from warrant exercise                               | 2,686                                 | 54,590                               | (7,417)                     | -                           | -   | -                           | 49,859         |
| Subscription shares issued                                   | 97                                    | (97)                                 | -                           | -                           | -   | -                           | -              |
| Purchase of Company's own shares including expenses          | (1,331)                               | -                                    | -                           | (22,360)                    | 1,331                                     | -                           | (22,360)       |
| <b>At 30 September 2009</b>                                  | <b>12,557</b>                         | <b>172,199</b>                       | <b>-</b>                    | <b>115,961</b>              | <b>5,009</b>                              | <b>3,595</b>                | <b>309,321</b> |

**Worldwide Healthcare Trust PLC**  
Interim Results for the six months ended 30 September 2010

**Reconciliation of Movements in Shareholders' Funds (Continued)**

| (Audited)<br>Year ended<br><b>31 March 2010</b>              | Ordinary<br>share<br>capital<br>£'000 | Subscription<br>share<br>capital<br>£'000 | Share<br>premium<br>account<br>£'000 | Warrant<br>reserve<br>£'000 | Capital<br>reserve<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Revenue<br>reserve<br>£'000 | Total<br>£'000 |
|--|---------------------------------------|---|--------------------------------------|-----------------------------|-----------------------------|---|-----------------------------|----------------|
| At 31 March 2009   | 11,105                                | -   | 117,706                              | 7,417                       | 118,709                     | 3,678                                     | 4,402                       | 263,017        |
| Net return on ordinary activities after taxation             | -                                     | -   | -                                    | -                           | 75,192                      | -   | 4,210                       | 79,402         |
| Dividends paid in respect of year ended 31 March 2009        | -                                     | -   | -                                    | -                           | -                           | -   | (1,982)                     | (1,982)        |
| Proceeds from exercise of warrants                           | 2,686                                 | -   | 47,174                               | -                           | -                           | -   | -                           | 49,860         |
| Transfer from warrant reserve following exercise of warrants | -                                     | -   | 7,417                                | (7,417)                     | -                           | -   | -                           | -              |
| Subscription shares issued less issue costs                  | -                                     | 97  | -                                    | -                           | (295)                       | -   | -                           | (198)          |
| Subscription shares exercised for ordinary shares            | 184                                   | (7)                                       | 4,351                                | -                           | 7                           | -   | -                           | 4,535          |
| Purchase of Company's own shares including expenses          | (1,331)                               | -   | -                                    | -                           | (48,453)                    | 1,331                                     | -                           | (48,453)       |
| <b>At 31 March 2010</b>                                      | <b>12,644</b>                         | <b>90</b>                                 | <b>176,648</b>                       | <b>-</b>                    | <b>145,160</b>              | <b>5,009</b>                              | <b>6,630</b>                | <b>346,181</b> |

## Balance Sheet

As at 30 September 2010

|   | (Unaudited)<br>30 September<br>2010<br>£'000 | (Unaudited)<br>30 September<br>2009<br>£'000 | (Audited)<br>31 March<br>2010<br>£'000 |
|---|--|--|--|
| <b>Fixed assets</b>                                   |  |  |  |
| Investments held at fair value through profit or loss | 398,645                                      | 331,117                                      | 383,599                                |
| <b>Current assets</b>                                 |  |  |  |
| Debtors   | 1,251  | 793  | 1,757                                  |
| Derivative – financial investments                    | 994  | 1,315  | 628                                    |
|   | <b>2,245</b>                                 | <b>2,108</b>                                 | <b>2,385</b>                           |
| <b>Current liabilities</b>                            |  |  |  |
| Creditors: amounts falling due within one year        | (31,320)                                     | (8,143)                                      | (3,741)                                |
| Bank overdraft  | (38,541)                                     | (15,761)                                     | (36,062)                               |
|   | <b>(69,861)</b>                              | <b>(23,904)</b>                              | <b>(39,803)</b>                        |
| <b>Net current liabilities</b>                        | <b>(67,616)</b>                              | <b>(21,796)</b>                              | <b>(37,418)</b>                        |
| <b>Total net assets</b>                               | <b>331,029</b>                               | <b>309,321</b>                               | <b>346,181</b>                         |
| <b>Capital and reserves</b>                           |  |  |  |
| Ordinary share capital                                | 10,847                                       | 12,557                                       | 12,644                                 |
| Subscription share capital                            | 83   | -  | 90                                     |
| Share premium account                                 | 180,693                                      | 172,199                                      | 176,648                                |
| Capital reserve                                       | 127,255                                      | 115,961                                      | 145,160                                |
| Capital redemption reserve                            | 6,978  | 5,009  | 5,009                                  |
| Revenue reserve                                       | 5,173  | 3,595  | 6,630                                  |
| <b>Total shareholders' funds</b>                      | <b>331,029</b>                               | <b>309,321</b>                               | <b>346,181</b>                         |
| <b>Net asset value per share – basic (note 5)</b>     | <b>763.0p</b>                                | 645.4p                                       | 780.8p                                 |
| <b>Net asset value per share – diluted (note 5)</b>   | <b>742.9p</b>                                | 640.1p                                       | 752.7p                                 |

## Cash Flow Statement

For the six months ended 30 September 2010

|  | (Unaudited)<br>Six months<br>ended<br>30 September<br>2010<br>£'000 | (Unaudited)<br>Six months<br>ended<br>30 September<br>2009<br>£'000 | (Audited)<br>Year<br>ended<br>31 March<br>2010<br>£'000 |
|--|---|---|---|
| <b>Net cash inflow from operating activities</b>             | <b>533</b>  | 253   | 2,108   |
| <b>Servicing of finance</b>                                  |   |   |   |
| Interest paid  | (82)  | (127)   | (223)   |
| <b>Taxation</b>  |   |   |   |
| Taxation recovered   | 182   | 169   | 93  |
| <b>Financial investment</b>                                  |   |   |   |
| Purchases of investments and derivatives                     | (116,763)   | (151,327)   | (265,795)   |
| Sales of investments and derivatives                         | 124,037   | 135,054   | 250,859   |
| <b>Net cash inflow/(outflow) from financial investment</b>   | <b>7,274</b>  | (16,273)  | (14,936)  |
| <b>Equity dividends paid</b>                                 | <b>(3,653)</b>  | (1,982)   | (1,982)   |
| <b>Net cash inflow/(outflow) before financing</b>            | <b>4,254</b>  | (17,960)  | (14,940)  |
| <b>Financing</b>   |   |   |   |
| Proceeds from exercise of warrants                           | -   | 49,860  | 49,860  |
| Subscription share issue costs                               | -   | -   | (198)   |
| Purchase of own shares                                       | (10,910)  | (22,973)  | (49,061)  |
| Subscription shares exercised for ordinary shares            | 4,217   | -   | 4,535   |
| <b>Net cash (outflow)/inflow from financing</b>              | <b>(6,693)</b>  | 26,887  | 5,136   |
| <b>(Decrease)/increase in cash in the period</b>             | <b>(2,439)</b>  | 8,927   | (9,804)   |
| <b>Reconciliation of net cash flow movements to net debt</b> |   |   |   |
| (Decrease)/increase in cash as above                         | (2,439)   | 8,927   | (9,804)   |
| Exchange movements   | (40)  | 5,516   | 3,946   |
| Movement in net debt in the period                           | (2,479)   | 14,443  | (5,858)   |
| Net debt at beginning of period                              | (36,062)  | (30,204)  | (30,204)  |
| <b>Net debt at period end</b>                                | <b>(38,541)</b>   | (15,761)  | (36,062)  |

## Notes to the Financial Statements

### 1. Accounting Policies

The condensed financial statements have been prepared under the historical cost convention, modified to include the valuation of investments at fair value and in accordance with United Kingdom Generally Accepted Accounting Practice and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' dated January 2009. All of the Company's operations are of a continuing nature.

The same accounting policies used for the year ended 31 March 2010 have been applied.

### 2. Income

|                     | (Unaudited)<br>Six months ended<br>30 September<br>2010<br>£'000 | (Unaudited)<br>Six months ended<br>30 September<br>2009<br>£'000 | (Audited)<br>Year ended<br>31 March<br>2010<br>£'000 |
|---------------------|--|--|--|
| Investment income   | 2,407  | 1,517  | 5,763  |
| Interest receivable | 652  | 369  | 62   |
| <b>Total</b>        | <b>3,059</b>   | 1,886  | 5,825  |

### 3. Investment Management, Management and Performance Fees

|  | (Unaudited)<br>Six months ended<br>30 September<br>2010<br>£'000 | (Unaudited)<br>Six months ended<br>30 September<br>2009<br>£'000 | (Audited)<br>Year ended<br>31 March<br>2010<br>£'000 |
|--|--|--|--|
| Investment management fee                        | 1,044  | 868  | 1,924  |
| Management fee                                   | 397  | 340  | 730  |
| Performance fee charged in the period/year*      | 1,895  | (224)  | 2,759  |
| Refund of VAT previously paid on management fees | -  | -  | (255)  |
| <b>Total</b>                                     | <b>3,336</b>   | 984  | 5,158  |

\*In accordance with the performance fee arrangements described on page 18 of the 2010 annual report, a performance fee of £4,654,000 was accrued at 30 September 2010.

In addition, during the period, £224,000 was paid which related to a performance fee which crystallised and became payable at 31 March 2010.

**Notes to the Financial Statements (continued)**

**4. Return/(Loss) Per Share**

|  | <b>(Unaudited)</b><br><b>Six months ended</b><br><b>30 September</b><br><b>2010</b><br><b>£'000</b> | (Unaudited)<br>Six months ended<br>30 September<br>2009<br>£'000 | (Audited)<br>Year ended<br>31 March 2010<br>£'000 |
|--|---|--|---|
| The return/(loss) per share is based on the following figures:           |   |  |   |
| Revenue return   | <b>2,196</b>  | 1,175  | 4,210   |
| Capital (loss)/return  | <b>(7,006)</b>  | 19,612   | 75,192  |
| <b>Total (loss)/return</b>   | <b>(4,810)</b>  | 20,787   | 79,402  |
| Weighted average number of shares in issue for the period/year – basic   |   |  |   |
|  | <b>43,497,098</b>   | 42,611,585   | 44,122,846  |
| Revenue return per share   | <b>5.0p</b>   | 2.8p   | 9.5p  |
| Capital (loss)/return per share  | <b>(16.1)p</b>  | 46.0p  | 170.5p  |
| <b>Total (loss)/return per share</b>                                     | <b>(11.1)p</b>  | 48.8p  | 180.0p  |
| Weighted average number of shares in issue for the period/year – diluted |   |  |   |
|  | <b>43,497,098</b>   | 42,611,585   | 44,122,846  |
| Revenue return per share   | <b>*5.0p</b>  | *2.8p  | *9.5p   |
| Capital (loss)/return per share  | <b>*(16.1)p</b>   | *46.0p   | *170.5p   |
| <b>Total (loss)/return per share – diluted</b>                           | <b>*(11.1)p</b>   | *48.8p   | *180.0p   |

\* dilution not applicable

**5. Net Asset Value Per Share**

The net asset value per share is calculated on attributable assets at 30 September 2010 of £331,029,000 (30 September 2009: £309,321,000 and 31 March 2010: £346,181,000) and 43,385,916 being the number of shares in issue at 30 September 2010 (30 September 2009: 47,927,769 and 31 March 2010: 44,336,756).

The diluted net asset value per share assumes all outstanding subscription shares were exercised at 638p per share resulting in assets attributable to equity shareholders of £384,018,000 and on 51,691,330 shares (30 September 2009: assumed all outstanding subscription shares were exercised at 614p per share resulting in assets attributable to equity shareholders of £369,069,000 and on 57,658,729 shares; March 2010: assumed all subscription shares were exercised at 614p per share resulting in assets attributable to equity shareholders of £401,394,000 and on 53,329,063 shares

**6. Transaction Costs**

Purchase transaction costs for the six months ended 30 September 2010 were £319,000 (six months ended 30 September 2009: £237,000; year ended 31 March 2010: £467,000).

Sales transaction costs for the six months ended 30 September 2010 were £229,000 (six months ended 30 September 2009: £214,000; year ended 31 March 2010: £372,000).

These costs comprise mainly commission.

**Notes to the Financial Statements (continued)**

**7. Subscription Shares**

During the period ended 30 September 2010 a total of 686,893 subscription shares were exercised for a total consideration of £4,217,000. At the period end the Company's share capital included 8,305,414 subscription shares, which are currently exercisable at 638p per share.

**8. Publication of Non Statutory Accounts**

The financial information contained in this preliminary announcement does not constitute statutory accounts as defined in sections 434-436 of the Companies Act 2006. The financial information for the half years ended 30 September 2010 and 30 September 2009 has not been audited or reviewed by the auditors.

The information for the year ended 31 March 2010 has been extracted from the latest published audited financial statements. The audited financial statements for the year ended 31 March 2010 have been filed with the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report, and did not contain statements under section 498 of the Companies Act 2006.

Earnings for the first six months should not be taken as a guide to the results for the full year.

Frostrow Capital LLP

*Company Secretary*

26 November 2010